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SUBJECT: LETTER FROM PRESIDENT OBASANJO TO PRESIDENT BUSH
RE FOLLOW-UP ON DECEMBER 2, 2004 MEETING AT WHITE HOUSE

1. On December 10, 2004 Ambassador Campbell received a letter from the President of Nigeria, Olusegun Obasanjo, dated December 9, 2004 to be transmitted to U.S. President George W. Bush. Original is being sent via unclassified pouch.

Begin Text:

His Excellency
Mr. George W. Bush
President of the United States of America
The White House
Washington DC USA

Dear President,

FOLLOW-UP ON OUR DECEMBER 2, 2004 MEETING AT THE WHITE HOUSE

I would like to congratulate you one more time on your re-election victory and to thank you and your team most sincerely for the warm welcome accorded us during our recent visit with you in Washington. As agreed, this letter serves as a follow-up to our discussion.

First, on the issue of Africa's role in resolving the various conflicts on the continent, I want to assure you of the resolve of the African Union Heads of State to continue to play a leadership role on this front. As you are aware, we are actively working on the crisis in Darfur and Cote d'Ivoire whilst trying to stave off the re-emergence of conflict between the Democratic Republic of Congo and Rwanda. I have invested my personal time and effort in this and committed Nigerian troops and resources to resolving these conflicts. What we need is your continued support in terms of logistics and training for our troops to enable us strengthen our capacity to meet the merging challenges. Specifically, we would like further logistical support for African troops in Darfur. We would also like to work closely with you on pre-emptive measures to stave off renewed conflict in Democratic Republic of Congo.

On Cote d'Ivoire, we shall, as you suggested, take up the issue of further support with European Union.

With regard to Nigeria, the one main issue where I would request your support is that of our quest for Debt Relief. You have recently shown remarkable leadership on this front as regards Iraq and I would like to congratulate you and the Iraqis on your success.

Nigeria, with a per capita income of US\$300, has a debt burden of US\$34 billion, of which about US\$29 billion (or 85%) is owed to the Paris Club of Creditors. Very little is owed to multilateral institutions or to the London Club of Commercial Creditors. A significant part of the debt was incurred in the early 1980s under successive military dictatorships and civilian administrations and at a time of high oil prices, high interest rates, and exuberant lending and borrowing on international capital markets. As oil prices fell precipitously in the mid- to late 1980s, Nigeria became increasingly unable to service this debt, and arrears and penalties accumulated inflating the debt stock. Successive attempts to reschedule the debt on regular terms with the Paris Club have not yielded a debt service burden that Nigeria can bear, given its revenue profile, large population and huge needs. Arrears and penalties have continued to accumulate such that if we were to pay our full debt service for the years 2004 to 2009 for example, this would require more than US\$3 billion per year in regular debt service.

Oil accounts for about 75%-80% of fiscal revenue. In this year of high oil prices, we budgeted at US\$25 a barrel for total earnings of US\$22.5 billion. With the higher oil prices, we expect to earn an additional US\$5.2 billion for a total of US\$28 billion in 2004. From this, we need to re-invest \$3.2 billion in our oil industry as our share of production cost. With a population of over 130 million

people and net oil revenues of about \$24.5 billion, this amounts to a little over 50 cents per capita per day.

In addition, Nigeria has huge infrastructural needs, without which we cannot attract the private sector to invest, lead economic growth, and progress towards the Millennium Development Goals (MDGs). For example, as we mentioned during our meeting, Nigeria with a population of over 130 million generates only 4,500MW of electricity compared to South Africa's 45,000MW for 45 million people. The World Bank estimates that we need an incremental US\$1 billion a year in power alone for the next few years. The same goes for water, roads, and other infrastructure if we are to make progress. Thus, even with this year's high oil prices, we would still not be able to meet our investment requirements for basic infrastructure.

Nigeria's weight on the continent is widely acknowledged- it comprises 10% of Africa's Gross Domestic Product (GDP) and 55% of West Africa's. One in four Africans is Nigerian. Therefore, economic progress on the continent would be difficult in the absence of progress in Nigeria. Nigeria provides a large market, and is the economic magnet for all West African countries.

Finally, Nigeria has among the lowest aid per capita per annum of the Least Developed Countries, at less than \$2. This compares with \$21 per capita for the rest of sub-Saharan Africa. In fact, Nigeria is presently experiencing net negative transfers to the tune of about US\$1.50 per capita, sending back to the developed countries in payment more than it receives.

For all these reasons, we are asking that Nigeria be considered for Debt Relief under Evian terms. We are not asking for more aid, just for Debt Reduction so that we can plough such monies obtained into investment in infrastructure, health, education, HIV/AIDS and malaria prevention, and in general, the MDGs in a transparent and results-oriented manner.

My Administration has been implementing a rigorous economic reform programme monitored quarterly for the past 15 months by the IMF. We are fighting corruption head on, managing our finances transparently, and laying the foundations for private sector-led (sic). We are achieving successes on the anti-corruption and macro-economic stabilization front. These reforms provide the foundation for monies coming from debt reduction to be well used.

We also recognize the importance of maintaining a steady flow of our oil resources to the international market. To that end, we are taking positive steps to deal immediately with the disturbances in our Niger Delta. We also recognize the importance of maintaining peace and security in the Gulf of Guinea.

Mr. President, the United States is one of smaller creditors to whom we owe just about US\$1 billion. However, your leadership in supporting Nigeria's case for debt reduction with the Paris Club will be paramount. Prime Minister Tony Blair and President Jacques Chirac have indicated their support. Only the political will to assist us will make it happen. We pledge to continue our strong reforms and request that in recognition of all the arguments we have presented above, you lend your personal support to our cause.

We would be delighted to work with your officials on the specifics of such debt reduction if you so indicate.

With best personal regards.

Yours sincerely,
/s/
Olusegun Obasanjo
END TEXT.